January/February 2009

Trendlines

Perspectives on Utah's Economy

Utah's Economy: A Look FORWARD & BACK

The Financial Meltdown of 2008: How Did We Get Here?

Utah's recreation industry continues to grow

Monthly Job Losses in 2008 Continue into 2009

What is a Recession?

How it's Defined

Department of Workforce Services

Trendlines

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Department of Workforce Services
Attn: WDID
140 East 300 South
Salt Lake City, UT 84111

Telephone: (801) 526-9462
Fax: (801) 526-9238
Email: wipublications@utah.gov

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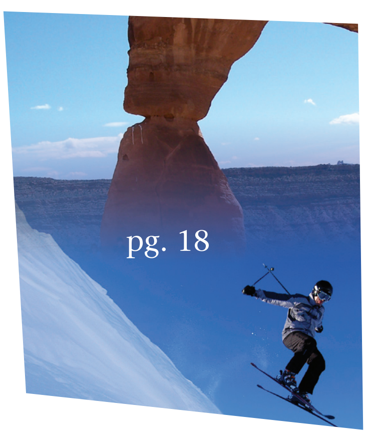
A Look Forward and Back at Utah's Economy

HE SAID IT COULD BE ABOUT 45 MINUTES, DUE TO THE GLOBAL ECONOMIC SLOWDOWN.



contents

Looking FORWARD

The year 2008 will go down as the year of the crash; not just speaking of the national meltdown in the financial sector, but the shutdown of the Utah employment growth machine as well. It is anticipated that when 2008 is in the books, Utah's employment growth will have fallen from a 4 percent growth rate in 2007, to only 0.2 percent in 2008. At that level, we may as well just call it zero—no employment growth. That is just the 12-month, calendar-year average of the Utah economy. If we look at just the last several months of 2008, we find that the Utah employment numbers have already fallen below zero growth—in other words, employment contraction. Current reports have Utah's employment change hovering at just above zero in recent months, but I believe that later employment revisions will actually move this quantification onto the negative side of the ledger. In other words, the state is already losing jobs.

The construction industry is the main culprit, particularly residential construction. It is anticipated that Utah will have lost over 15,000 construction jobs in 2008. The home-building contraction in Utah will go down as historic, and it's amazing when considering the number of construction job losses that the state's unemployment rate isn't higher than 3.5 percent.

But much of this could be due to a large unauthorized Hispanic labor force that helped fuel Utah's recent home-building boom, and many of those workers may have simply left the state.

Only a handful of other Utah industries are on the slide. Manufacturing is one, but its job losses for the year are expected to be just over 1,000, significantly less than the construction job loss. The financial and information sectors will also record small job losses. Outside of these industries, Utah's remaining industrial sectors are holding up relatively well. But with the late season swoon in the financial and stock markets nationally, it is feared, and anticipated, that more industries will soon start shedding workers.

So what is the economic outlook in the face of the current financial crisis? A guaranteed recession—both nationally and here in Utah. These economic ill-winds are much too large for even Utah to sidestep.

Is Utah already in a recession? It would be hard to classify it as such with only the construction industry causing nearly all this downward employment pull. But when manufacturing job losses continue to increase, when financial sector losses grow, when retail trade starts losing jobs, when professional and business services dip to the negative side, and when the unemployment rate rises near 5 percent, then it will be safer to label Utah in a recession. That is what is expected as we move forward into 2009.

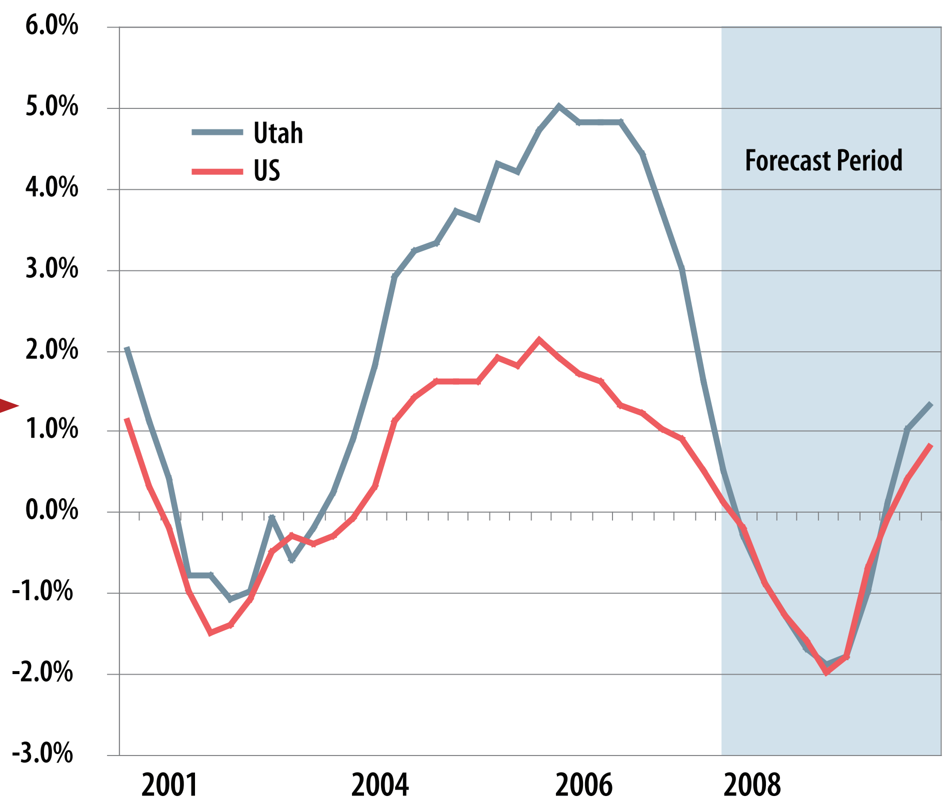
In Utah, 2009 is anticipated to be one of those rare years where the employment count is lower than observed in 2008. It is anticipated that 2009 employment will be over 19,000 jobs fewer than recorded in 2008, a contraction rate of 1.5 percent. The last time Utah had fewer jobs in one year than the previous was in 2002, during the dot com recession.

But before that, one has to go back to 1963 to record another such event—a span of 38 years. Job contractions are rare in Utah, but the recent ones are being spurred by large national economic events.

Will there be any rebound in 2009? Probably not. The bulk of the contraction will likely occur in the last half of 2008 and throughout most of 2009. A sluggish and very slow rebound may emerge thereafter, but will not have enough umph to push the yearly employment numbers back toward the positive side of the ledger. That may have to wait until 2010.

The last time Utah had fewer jobs in one year than the previous was in 2002, during the dot com recession.

Year-Over Percent Change in Nonfarm Jobs



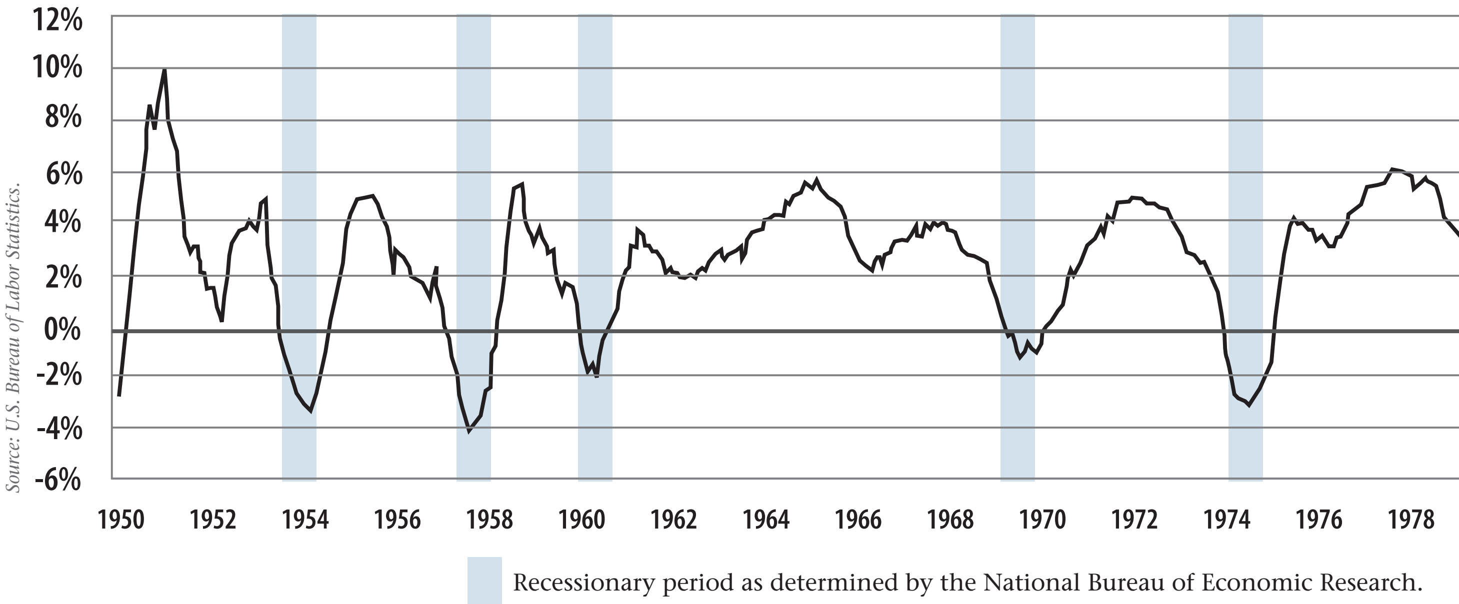
Sources: Historical Data—U.S. Bureau of Labor Statistics; Forecasted Data—Utah Department of Workforce Services and Global Insight.

What is a *Recession?*

The financial press and the National Bureau of Economic Research each define the term recession differently.

HE SAID IT COULD BE ABOUT 45 MINUTES, DUE TO THE GLOBAL ECONOMIC SLOWDOWN.

U.S. Year-Over Change in Nonfarm Jobs



Harry Truman once said, "It's a recession when your neighbor loses his job; it's a depression when you lose yours." That folksy definition may get to the heart of our personal economic fears. On the other hand, it's not a terribly precise measurement.

The financial press often uses the recessionary definition of two or more consecutive quarters of declining Gross Domestic Product (GDP). GDP is defined as the total market value of all final goods and services produced within the country in a given period of time. On the other hand, that measure fails to include several official U.S. recessions. (No wonder Truman also demanded "Give me a one-handed economist!")

The NBER Knows

In reality, here in the United States, we're in a recession when the economy says we are, but we don't know it until the National Bureau of Economic Research (NBER) says we are. The NBER is considered the official arbiter of recessionary and expansionary periods. In particular, the Bureau's Business Cycle Dating Committee has the final recessionary word.

Founded in 1920, the National Bureau of Economic Research is a private, nonprofit, nonpartisan research organization dedicated to promoting a greater understanding of how the economy works. (Yes, I took that right off their web site.) The NBER includes leading scholars in the fields of economics and business. And, its past researchers have included numerous winners of the Nobel Prize for Economics and Chairmen of the President's Council of Economic Advisers.

The "Official" Definition

Here's the NBER's official definition of a recession. "A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales." The NBER marks the beginning of a recession from just after the peak in activity and the ending when the economy reaches its trough.

GDP's on Top

Now, you may have noticed the NBER does not have a fixed rule to determine when a recession begins and ends. They look at several indicators and make a judgment call. Remember, these are folks who study the business cycle for a living. Not surprisingly, Gross Domestic Product (only released quarterly) is a primary determinant.

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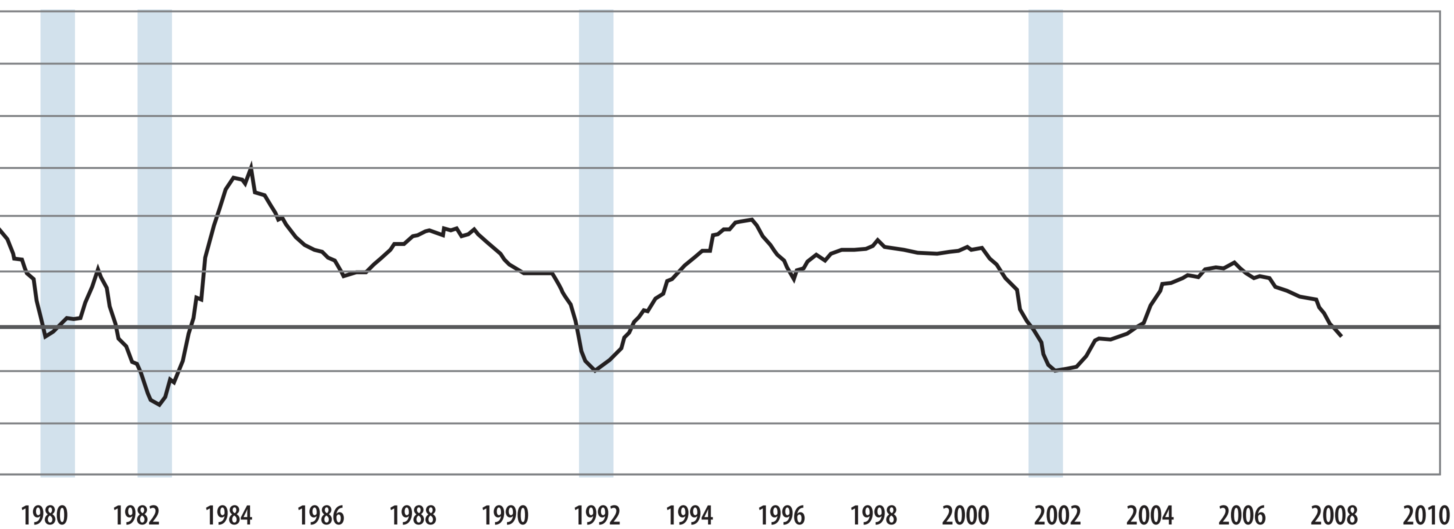


Business Cycle Facts from the National Bureau of Economic Research

- The last two U.S. recessions lasted eight months each.
- The two longest recessions in the Post World War II time period lasted 16 months each (November 1973- March 1975 and July 1981-November 1982).
- The shortest Post World War II recession lasted only six months during 1980.
- The Great Depression lasted 43 months.
- The longest U.S. expansionary period in the NBER's dating history (back to 1854) lasted 120 months from March 1991 to March 2001—a full ten years.
- Since 1945, recessions have averaged 10 months; expansions have averaged 57 months.
- In general, recessions have moderated in the post-war period.
- The previous recession ended in November 2001.

Secondary indicators include:

- Real (inflation-adjusted) Personal Income less Transfer Payments
- Employment
- Industrial Production
- Volume of Sales of Manufacturing and Wholesale/Retail Sectors (adjusted for price changes)
- Monthly Estimates of GDP

As all data geeks know, it takes a significant amount of time to collect, tabulate and publish data. Then the figures are revised. So, the NBER is immediately at a disadvantage when dating recessionary periods. In addition, the Business Cycle Dating Committee wants to be absolutely certain a recession has begun. These two circumstances mean that it is generally six to 18 months after the start of a recession when the committee makes a determination. In other words, often by the time the committee decides a recession has begun, we're already out of it. That's why I have my own not-so-secret, quick and easy method to intuit recessionary periods.

The "Not-So-Secret" Formula

When tracking monthly year-over percent changes in nonfarm payroll jobs and past recessionary periods in the postwar period (see chart on previous page), it becomes abundantly clear that when the rate of job growth trends downward and eventually leads to job loss, we're in a recession. A "year-over" percent

> *"A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales."*
>
> *NBER's official definition*

UNTIL THIS ECONOMY THING STRAIGHTENS OUT, YOU'LL BE WORKING OUT OF YOUR CAR.

Because of the time it takes to collect and tabulate data, the NBER often can't determine a recession exists until 6-18 months after it has started.

change merely equals the percent change between one month's employment and the same month a year earlier. For example, it represents the percent change between nonfarm employment in March 2008 and March 2007.

In the postwar period, this method has always worked. Plus, thanks to survey data, it's about as current as indicators get—particularly for the nation and the state. And finally, it's available for a wide variety of locales (unlike GDP).

For more information: http://www.nber.org

The Financial Meltdown of 2008—

How Did We Get Here?

The year 2008 is drawing to a close in the midst of arguably the worst American financial crisis since the 1929 stock market crash. The entire face of the American financial system is being radically transformed. The federal government is moving deeper into areas where it is the financier of last resort. As a result, much of the nation's financial mechanics are, by default, being nationalized. And it's not just happening in America. Global financial markets are also being shaken to their core. The great financial panic that unveiled in 2007, blossomed in 2008, and surely will fester into 2009, is both historic and epic in nature. It is the dominant economic story of 2008, and will continue to be the main feature in 2009. Therefore, it is prudent to take time to try and understand what is happening and what caused it.

In hindsight, there is a series of misdeeds that can be traced throughout the path leading up to the current crisis, and there is plenty of blame to go around. The entire financial system in one form or another made contributions to this entire process. But the system was fine for decades. It worked well with minimal problems. So if the whole system is to blame, the key question then is what changed the system?

I believe the action that initiated the crisis was the re-engineering of mortgage giants Fannie Mae and Freddie Mac during the 1990s from government-sanctioned entities that were discerning about what type of mortgages they pur-

A Note to Our Readers:

chased, into what, in hindsight, may now be viewed as ill-fated mortgage purchasers. In Freddie and Fannie's defense, this does appear to be an action that was largely forced upon them by other branches of the federal government.

There are those who may disagree with this assessment. After all, it is a deep-rooted and multi-branched problem. But I am trying to find the seed. In order to develop my view, allow me a running start.

Prior to the Great Depression of the 1930s, there was a two-tiered financial system in the United States. There were lenders (banks), and borrowers (businesses and individuals). But for reasons that could encompass a history lesson, this structure broke down in the 1930s. Out of its wreckage came a three-tiered system—lender, borrower, and government. The federal government emerged as the guardian and securer of both the lending and the borrowing community. In the realm of the home-mortgage industry, Fannie Mae was born as a private but later government-sanctioned entity that would purchase mortgage loans from banks. The goal was to relieve banks of these non-liquid housing assets and free up the banking system to extend more loans. In the late

continued on page 12

The causes of the current financial crisis

are complex and controversial. Mr. Knold has presented his opinion in the article which does not represent an official position by the Department of Workforce Services. Many experts have and are studying this subject and have published their opinion, theories, and explanations. Here are links to some of those articles:

http://ssrn.com/abstract=1112467

http://www.dallasfed.org/research/eclett/2007/el0711.html

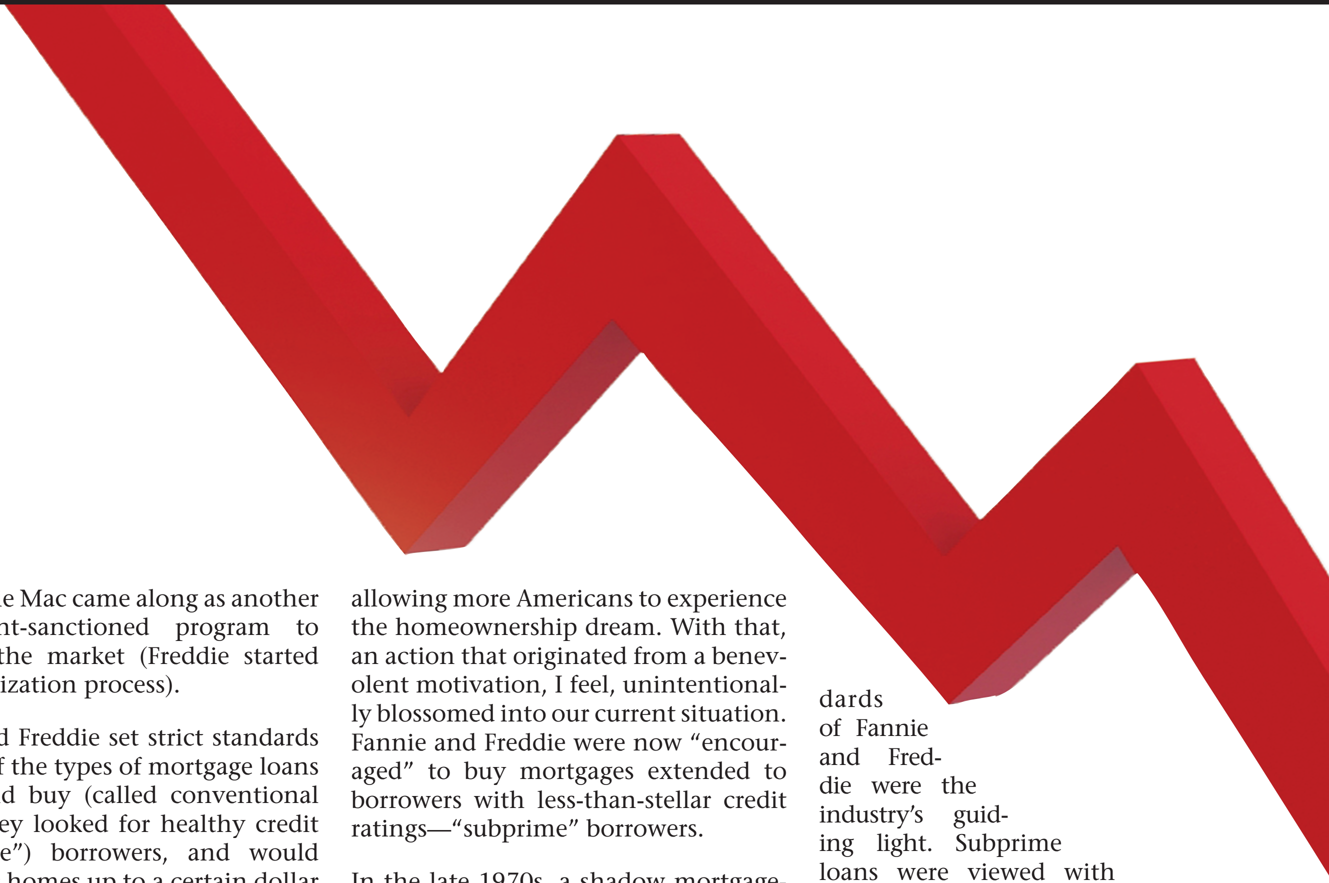
http://www.dallasfed.org/research/eclett/2008/el0804.html

www.cba.ua.edu/~ghoover/Subprime-Mortgage-Products.pdf

http://articles.moneycentral.msn.com/Investing/Extra/SubprimeMythsWhatWashingtonGetsWrong.aspx

http://www.economist.com/research/articlesBySubject/displaystory.cfm?subjectid=348885&story_id=12415730

http://economistsview.typepad.com/economistsview/2008/10/barry-ritholtz.html



60s, Freddie Mac came along as another government-sanctioned program to augment the market (Freddie started the securitization process).

Fannie and Freddie set strict standards in terms of the types of mortgage loans they would buy (called conventional loans). They looked for healthy credit (or "prime") borrowers, and would only cover homes up to a certain dollar amount—an amount that largely paralleled middle-class income home purchases. This process seemed to work for many decades until a cry went forth that their lending criteria discriminated against low-income households, many of whom were minorities. Throughout the 1990s, Congress, the Federal Reserve, and the Clinton Administration all put pressure upon Fannie and Freddie to rework their lending criteria, with the intention of allowing more Americans to experience the homeownership dream. With that, an action that originated from a benevolent motivation, I feel, unintentionally blossomed into our current situation. Fannie and Freddie were now "encouraged" to buy mortgages extended to borrowers with less-than-stellar credit ratings—"subprime" borrowers.

In the late 1970s, a shadow mortgage-purchasing industry began to emerge. Banks didn't have to sell mortgages to Fannie and Freddie only. They could also sell to any others who so desired to purchase, and these loans began being purchased by investment banks and other "Wall Street" types. Regular loans, subprime loans, rich-people loans, all types of loans were now being bought, packaged, and resold (called securitization) by these "other" mortgage players. Although these new players were largely outside the realm of government regulation, the lending standards of Fannie and Freddie were the industry's guiding light. Subprime loans were viewed with much trepidation. When subprime loans were extended by lenders, they usually involved higher mortgage interest rates—with the possibility that the rates would drop lower after a borrower showed several years of making their mortgage payments—and lenders made other moves to minimize or "cover" their risk. This system also worked well until Fannie and Freddie lowered the industry standard.

The whole picture is somewhat analogous to a child's desire for candy. Left unregulated, children (the profit-

driven mortgage/banking system) will be tempted to dip their hand aggressively into the candy jar. But if Aunt Fannie and Uncle Freddie are diligent overseers by setting the example against the dangers of candy's excess, then the children will, by example, be tempered. But what happens when Aunt Fannie and Uncle Freddie start dipping their hands into the candy jar? What will the children do?

Government pressures in various forms throughout the 1990s moved Fannie Mae and Freddie Mac to embrace the purchasing of subprime loans. With the industry standard bearers now not only condoning previously shunned lending vehicles, but also purchasing them in large quantities, the stage is now set for the additional transgressions that followed. If the federal government is now in the business of buying out and backing risky loans, naturally one can see how the rest of the industry then let down its guard and indiscriminately promoted these types of loans. After all, the sellers of these loans weren't going to be the end buyers of the loans. What did the middleman have to lose if the government was willing to buy?

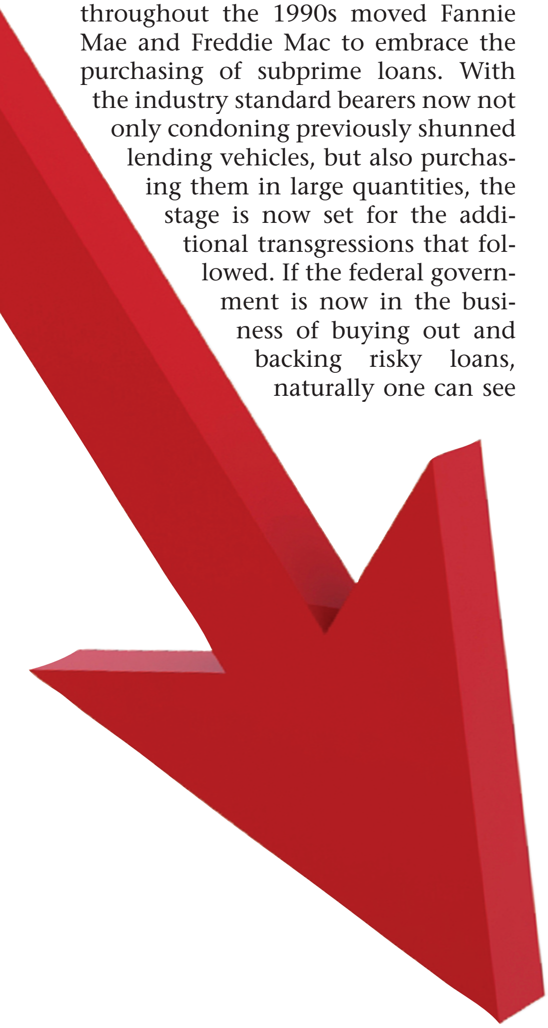
Would the excessive promotion and use of subprime mortgages have blossomed without Fannie and Freddie embracing them first? Would the virtual ignoring of covering the risks inherent in subprime lending—a result we saw in the 2000s—arisen if Fannie and Freddie hadn't condoned subprime activities? Would housing prices have spiraled so high without excessive subprime use? I make the argument that these and other corollaries would not. After all, there is a 20-year history of no subprime excessiveness prior to Fannie and Freddie's re-engineering.

And so we have the current economic consequences. As is sometimes the case with government actions upon the economy, the originators of an action are long removed and the current management has to not only try and rectify the situation, but also is saddled with the blame. Problems of this magnitude usually have long and deep roots.

With the criterion now changed, between 2004 and 2007, Fannie Mae and Freddie Mac bought roughly $1 trillion in subprime and Alt-A mortgages. The two combined to be the nation's largest buyers of subprime mortgages. They carried $5 trillion worth of home mortgages, of which one in five was subprime.

When the first rate resetting of subprime mortgages struck en mass in 2007 and 2008—preceded by a collapse in U.S. housing prices—Fannie Mae and Freddie Mac's asset base dissolved. The United States government stepped in to take over, and stockholders lost all. Twenty percent of U.S. banks held Fannie Mae and Freddie Mac stock.

Unintended consequences are the bane of any action, even ones generated from a benevolent motivation. Unintended consequences are unfolding before us, and the end result is a strong possibility that the American financial system, as we know it, may undergo radical change. Globalization will have a big say in the new structure. It will be a system built upon regulation and unification. Regulation in and of itself is not the answer. Smart regulation is.



Would the excessive promotion and use of subprime mortgages have blossomed without Fannie and Freddie embracing them first?

Pressures

Are Against the Manufacturing Sector

Anytime the national economy slips into a recession, manufacturing job losses seem to be high on the job-loss list. No matter where the recession originates—from the technology sector in the early 2000s or currently from the housing and credit markets—the manufacturing sector seems to pay a price. When consumers feel anxiety about their economic situation, they pull back on purchases. They buy fewer appliances, automobiles, siding for the house, or new shingles. Businesses pull back on building and expanding, buying new shelving, updating the furniture, or they live longer with that aging forklift. These are examples, and there are thousands more, of how the fabrication and assemblage of physical goods—manufactured products—get cut back in a weak economy.

We are heading into what looks to be a prolonged period of economic weakness. This does not bode well for the manufacturing sector. It has been under long-term contraction pressures in this country since the 1970s. The sector actually produces more than it used to, but with many fewer workers. Automation has allowed the industry to flourish, but it has taken a major toll upon the downsizing of the manufacturing labor force. Manufacturing is no longer the major contributor to America's income pool as it was in a past era.

When consumers pull back on purchases, the manufacturing sector pays a price.

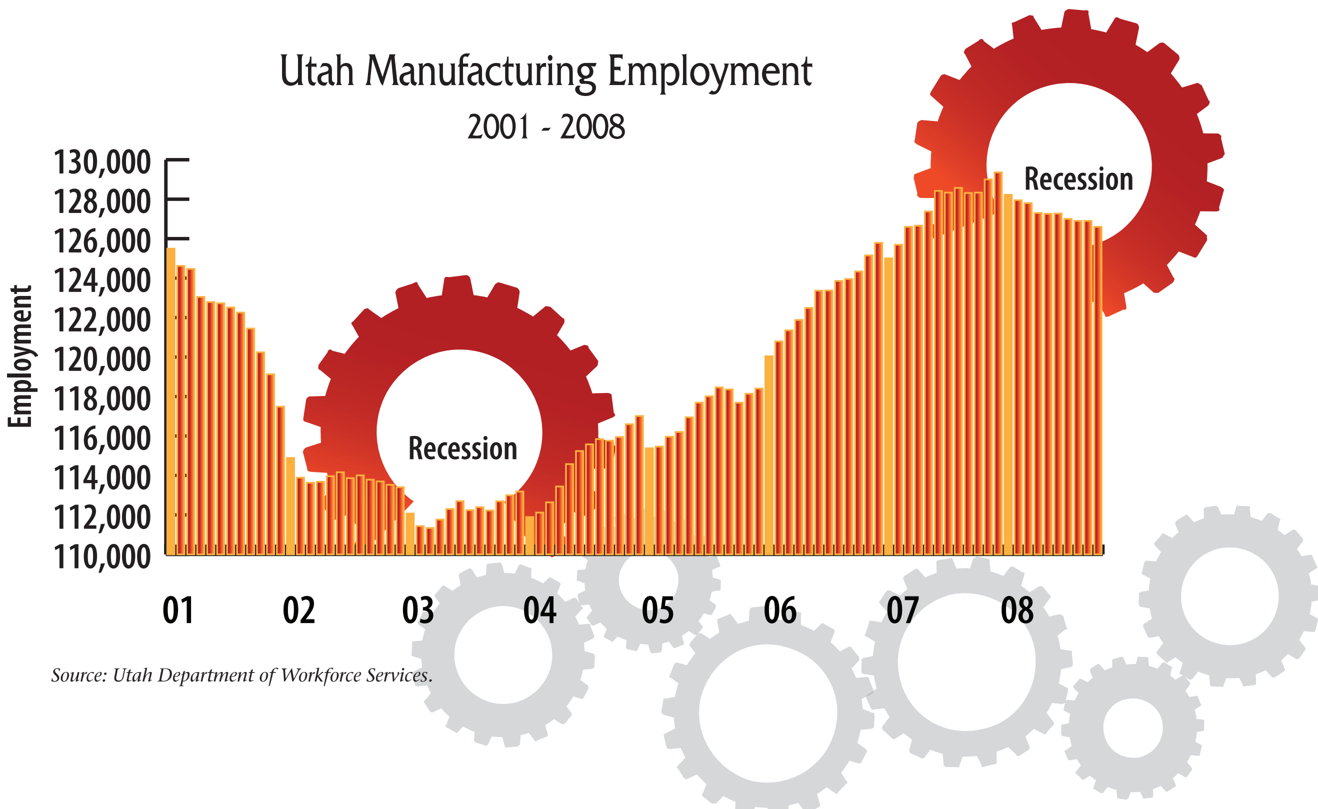
In manufacturing processes where automation is not a cost-effective alternative, that segment has looked to cheaper overseas labor as its alternative. One of the factors that work against manufacturing in America is manufacturing's very nature. Much manufacturing activity does not have to be situated amongst its customer base like many other industries. If you were going to go out to eat for the evening you would not go to China (maybe to a Chinese restaurant, but not to China), whereas toys can be made anywhere and brought into this country.

If you look at the population age structure of the United States it is dominated by baby boomers. The most populated age segment in the labor force is 45- to 60-year olds. In the near future, they will retire and leave the labor force. If we were to replace them all right now with the youngest segments of our population, there would not be enough youngsters for a one-to-one replacement. America's labor force would roughly have a 20-million worker shortfall.

When the boomers leave the labor force, the economy will have four options in how to respond:

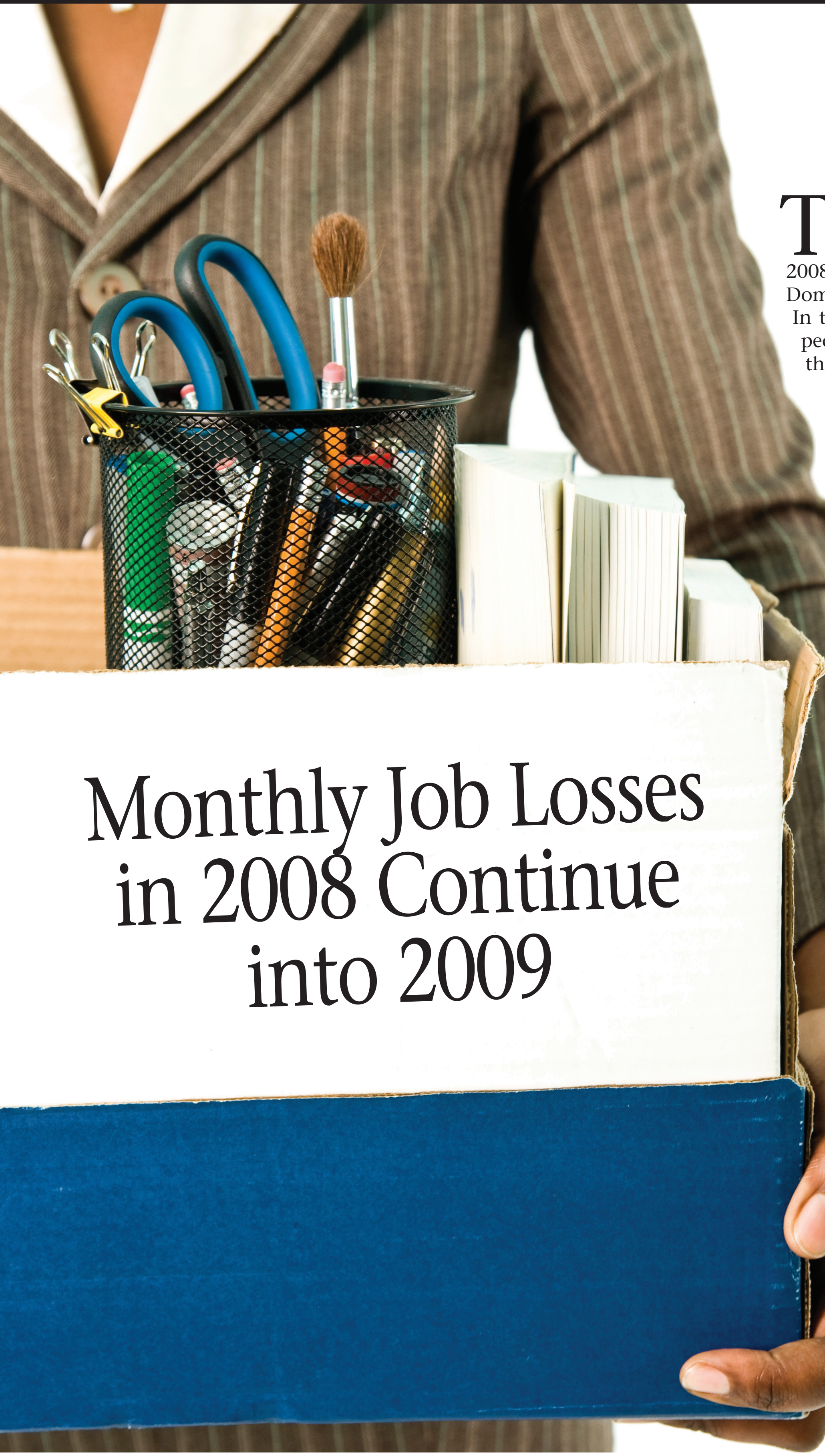
1. allow the economy to shrink (an anathema concept within Capitalism);
2. import workers from other countries;
3. export work to other countries; or
4. replace workers with machines (automation).

What will the future hold? Probably combinations of all four, as individual industries will all respond differently. Whereas the healthcare industry may have to expand to handle so many aging baby boomers (it will probably need option #2), the manufacturing industry will be more susceptible to options #3 and #4. The industry is already confronted by these options, and the pressures are only set to intensify.



Source: Utah Department of Workforce Services.

Monthly Job Losses in 2008 Continue into 2009

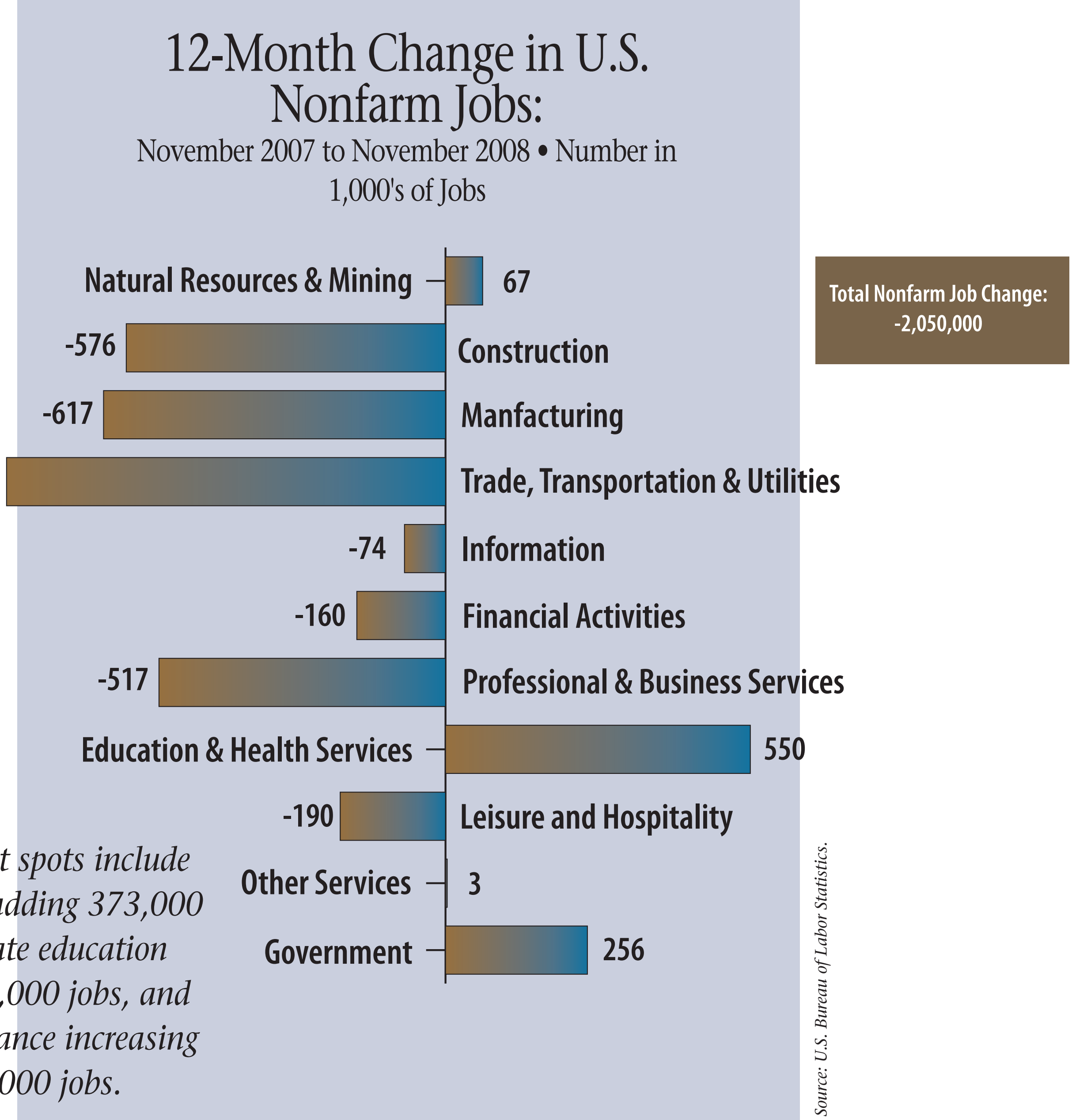


The U.S. economy is in recession and that will likely continue through most of 2009. In the third quarter of 2008 the economy, as measured by Gross Domestic Product declined by 0.5 percent. In the fourth quarter the economy is expected to contract somewhere between three to five percent.

The U.S. Bureau of Labor Statistics has reported reductions in nonfarm payroll jobs every month since December 2007. There were 2,050,000 jobs eliminated from the economy over the previous twelve months: November 2007 to November 2008. Looking at the major industries in terms of job losses and jobs gains provides a picture of relatively widespread difficulties throughout the economy (refer to the chart).

Our current economic decline began in 2006 when the residential housing boom began to unravel. Consequently, in November of 2008 year-over job losses were high in construction at 576,000. Manufacturing lost even more (617,000) as employment continues to hemorrhage with multi-year jobs losses—29 consecutive months of declining employment. Of the three goods-producing industries—mining, construction, and manufacturing—only mining has added jobs stimulated by the high-energy prices of recent years.

Turning to private service-producing industries, there are just a few bright spots; chief among these is healthcare, which added 373,000 jobs from November 2007 to November 2008. Private educa-



A few bright spots include healthcare, adding 373,000 jobs, private education adding 102,000 jobs, and social assistance increasing by 75,000 jobs.

tion added 102,000 jobs and social assistance increased by 75,000 jobs for a total of 550,000 for this group. The only other services industries to grow in employment were professional and technical services, utilities, and "other," which increased by 85,000 together.

Wholesale and retail trade lost 655,000 jobs over the past twelve months, with car dealers being particularly hard hit. Administrative and waste services saw a reduction of 548,000 jobs, with 422,000 of these losses coming from temporary help services.

Typically, when the economy goes into recession government employment continues to expand, at least initially. In November of 2008, there were 256,000 more government jobs than counted a year earlier, with 36 percent of these jobs accounted for by public education—both higher education and k-12 education.

In November 2008, an estimated 10,331,000 were unemployed. These are persons who are available to work, having actively looked unsuccessfully for a job during the past month. This is an increase of 3,150,000 or 44 percent more than the 7,181,000 unemployed in November of 2007. The unemployment rate for November stood at 6.7 percent.

Going into 2009, the ongoing construction bust—with falling home values, very high unsold inventories, foreclosures; along with tight credit conditions and the severely strained financial system, are all weighing negatively on the U.S. economy. The serious stresses on consumer and business spending are evident as the recession continues.

Utah's Recreation Industry Continues to Grow

although suffering through ups and downs of economy

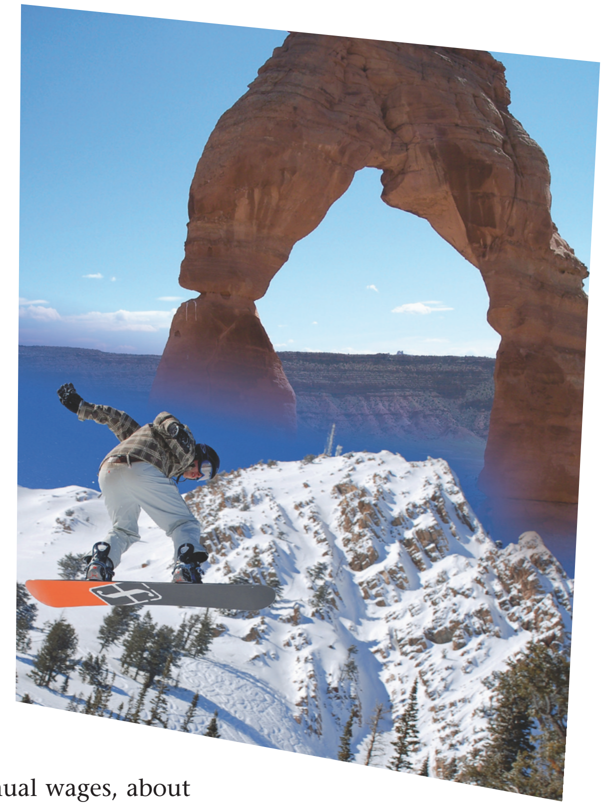
Source: Utah Department of Workforce Services

Utah is renowned for its remarkable recreational opportunities. We have great snow skiing, fantastic national parks to visit, and mountains and deserts to enjoy. As economists, we are interested in how the recreation industry contributes to the economic well-being of the state and its counties.

For a healthy economy you need export-based industries. Those are industries whose goods or services are sold beyond, or outside, of the needs of the local economy. Recreation is actually an export industry. Instead of selling something outside our borders, we attract people from outside of Utah to come and enjoy what we offer. In doing so, they spend money for food, lodging, rentals, and souvenirs, which stays in the local economy.

Under the current industry classification system there is a broad industry called recreation and leisure. The industry is composed of arts, entertainment, recreation, accommodations, and food services. This is obviously a narrow definition, but reflects the idea that most visitors to an area will use food and lodging and participate in some form of recreation. Sadly, it fails to capture many other aspects related to the recreational industry, such as transportation services, some aspects of retail trade,

Recreation is actually an export industry.



and auto rentals, to mention just a few. Another issue is that local residents also use these services, especially food services, making the contribution of visitors more difficult to determine.

Still, the recreation and leisure category provides a pretty good look at dynamics in the industry and some of the challenges that are related to it. Statewide, in 2007, about 9.4 percent of total nonfarm employment was in the recreation and leisure industries. However, in some of Utah's counties, particularly the nonurban areas, this industry accounts for a much higher percentage. In fact, only 10 counties have a percent share below the state average.

The major challenge related to this industry is low annual wages, about $15,200 statewide in 2007, compared to total nonfarm average of $36,500. Several factors help explain this; one is the seasonal nature of the employment. Most areas have a peak season and an off-season and this limits the economic impact of the industry. Also, many occupations are low-skilled and low-wage and are filled by many part-time workers.

Utah's recreation industry will continue to grow, though it will suffer through the ups and downs of the overall economy. Because of the importance of this industry off the Wasatch Front, its development will continue to play an important role in the economies of rural Utah.

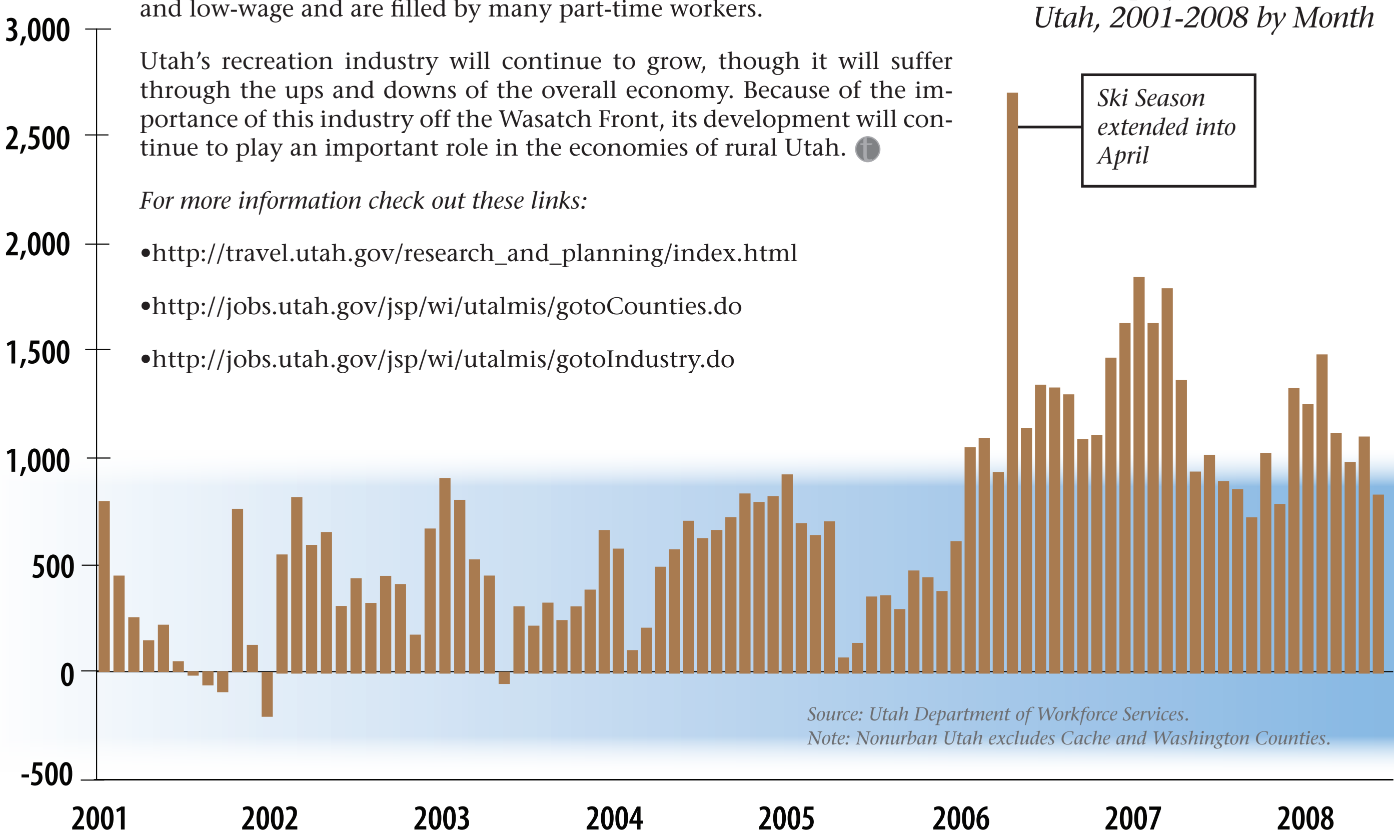
For more information check out these links:

•http://travel.utah.gov/research_and_planning/index.html

•http://jobs.utah.gov/jsp/wi/utalmis/gotoCounties.do

•http://jobs.utah.gov/jsp/wi/utalmis/gotoIndustry.do

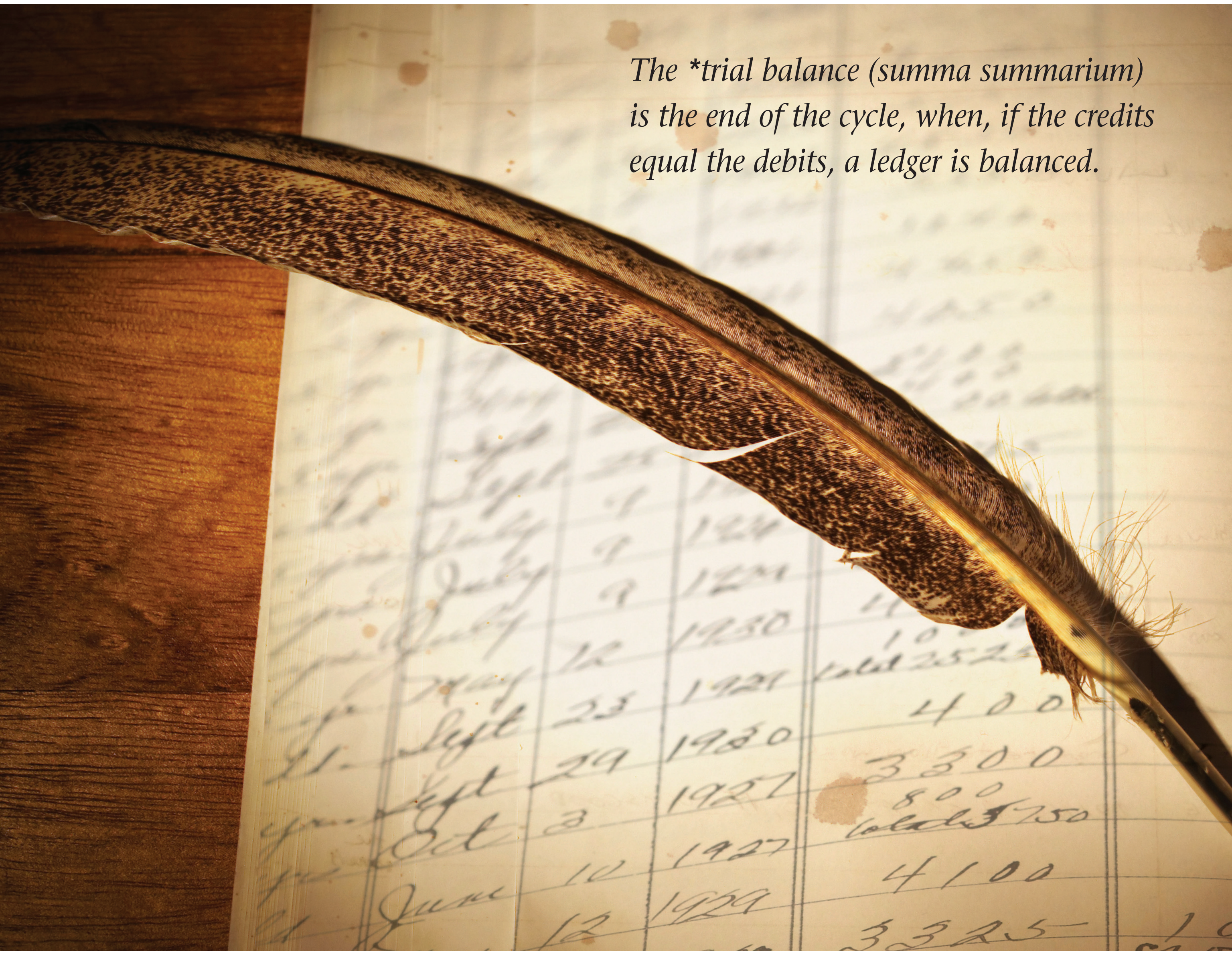
Numeric Change in Recreation and Leisure Employment in Nonurban Utah, 2001-2008 by Month



Source: Utah Department of Workforce Services.
Note: Nonurban Utah excludes Cache and Washington Counties.

SUMMA SUMMARIUM*

A Look at Accounting Occupations



*The *trial balance (summa summarium) is the end of the cycle, when, if the credits equal the debits, a ledger is balanced.*

All these centuries later, it appears Pacioli was correct.

Long before TurboTax and Quickbooks, way back in 1494, Luca Pacioli, a Franciscan monk, wrote a textbook describing double-entry bookkeeping: for every debit there is a credit. He expanded the idea of Benedetto Cotrugli who had briefly touched upon it 40 years earlier. Pacioli's treatise was printed on the recently developed Gutenberg press, a novel and expensive undertaking, which illustrates its importance. It consisted of examples of a memorandum for recording daily transactions, a journal which was the merchant's private account book and a ledger for posting debits and credits.

Procedurally speaking, little has changed since those early days. Accountants/auditors still use the format in Pacioli's journal-ledger: credits on the right and debits on the left. The *trial balance (summa summarium) is the end of the cycle, when, if the credits equal the debits, a ledger is balanced. Over the years, generally accepted accounting principles (GAAP) have evolved rendering comparable financial statements for companies around the world.

According to the Standard Occupational Classification Manual, the duties of an accountant/auditor are to examine, analyze, and interpret accounting records for the purpose of giving advice or preparing statements. They also install or advise on systems of recording costs or other financial and budgetary data.

For an accountant/auditor position, most firms will require at least a bachelor's degree in accounting, finance or a related discipline. Many accountants take the rigorous, four-part Certified Public Accountant (CPA) exam to become state-licensed. Periodic continuing education is a requirement for practicing CPAs.

Employment data from the Utah Department of Workforce Services designates accountant/auditor as a 4-star job, meaning that this occupation will experience faster-than-average employment growth with a high volume of annual job openings and strong pay for candidates with advanced degrees. Business expansion, as opposed to the need for replacements, will be the source of the majority of job openings in the coming decade.

Pacioli believed access to cash, a current accounting system, and a competent accountant were the three traits of a successful merchant. All these centuries later, it appears he was correct.

Occupational Wages

Area	Hourly Median	Annual Median
Utah	$26.03	$63,530

Source: Utah Department of Workforce Services, data from May 2007.

Employment Projections 2006-2016 for Accountants and Auditors

Area	Current Employment	Projected Employment	Annual % Change	Total Annual Openings
Utah	12,593	16,630	3.2	630

Source: Utah Department of Workforce Services.

A Look Back and Into the FUTURE

Utah is one of the top three economically stable states in the nation.

If past is prologue, then Utah is in an enviable spot among the states as the nation experiences an economic slowdown. For the top three economically stable states in the nation it's been a very good year for Utah, Wyoming and Virginia. Even with the national downturn, Utah has very good possibilities. Like Wyoming we have a strong energy sector and like Virginia we have growing life science and information technology industries. In addition, following Governor Huntsman's economic plan the state has been targeting specific industries that have long term prospects for stable growth; consequently we have a broad based state economy that can better weather downturns in individual sectors.

While some other states are working to just keep their heads above water, Utah saw its economic development engine fine-tuned by Governor Jon Huntsman and his 10-point Economic Development Plan. Utah government continues to maintain a balanced budget and its triple-A bond rating, by making the fiscal adjustments necessary to stay on a strong growth path and live within its means.

Even now the state has over 100 companies that are looking at Utah as a place to relocate or expand. Fueled by the likes of Procter & Gamble, Hershey, Disney and many other industrial and manufacturing giants, Utah continues to maintain one of the lowest unemployment numbers in the country. Recently, home-grown Nelson Laboratories announced a new expansion of their life sciences company. The company is breaking ground soon and plans to hire over 300 new employees in the coming decade.

The state seems poised to continue with its 28 straight

*Governor's Office of Economic Development months of announcing a new corporate expansion or relocation in Utah. This record validates the Kauffman Foundation's declaration of two years ago that Utah had the most dynamic economy in the nation.

A recently completed corporate site selection study compared the cost of operating a Western U.S. distribution warehouse in a series of 30 cities, including the Salt Lake City/Provo area. The report by the Boyd Company, Inc. named Utah as having the "Second Lowest Distribution Operating Costs in the Nation." The new Boyd study analyzed all major geographically-variable operating costs that are most critical to deciding where to locate major new distribution warehouse facilities. Such costs include: hourly labor, shipping costs, land costs, construction costs, property and sales taxes, utilities and other occupancy costs.

"We're optimistic that the state's broad-based economy and our plan to support it will carry us through the slow times," said Jason Perry, head of the Governor's Office of Economic Development (GOED). "Our phones at GOED are still ringing, and in fact many companies are looking at Utah more seriously now because of our strong and productive workforce. As things slow down nationally, companies that are still doing well need safe, dynamic communities to help them stay strong. We continue to have big companies and significant projects looking at Utah right now." There are many reasons for this success going forward, but one was highlighted when four Utah communities, Provo-Orem, Salt Lake, Ogden-Clearfield and St. George were given top rankings in Milken Institute's Technology-Based Cities, Best Performing Cities Index.

In a second ranking Milken recognized Utah in its State Technology and Science Index as the eighth-best state overall and as #1 in Technology Concentration and Dynamism. Additionally, Massachusetts-based, Beacon Hill Institute named Utah #1 Most Competitive State for Business. They recognized that Utah was highly ranked in many major sectors, such as government and fiscal policy, security, human resources and technology.

Citizens of the state may be unaware of the state's great strides when compared with the rest of the nation and they may take for granted the high quality of life, the productive workforce, and the technological innovation so commonly found in the state. But visitors, and those looking for the best in the country, have found Utah to be among the best locations for business anywhere.

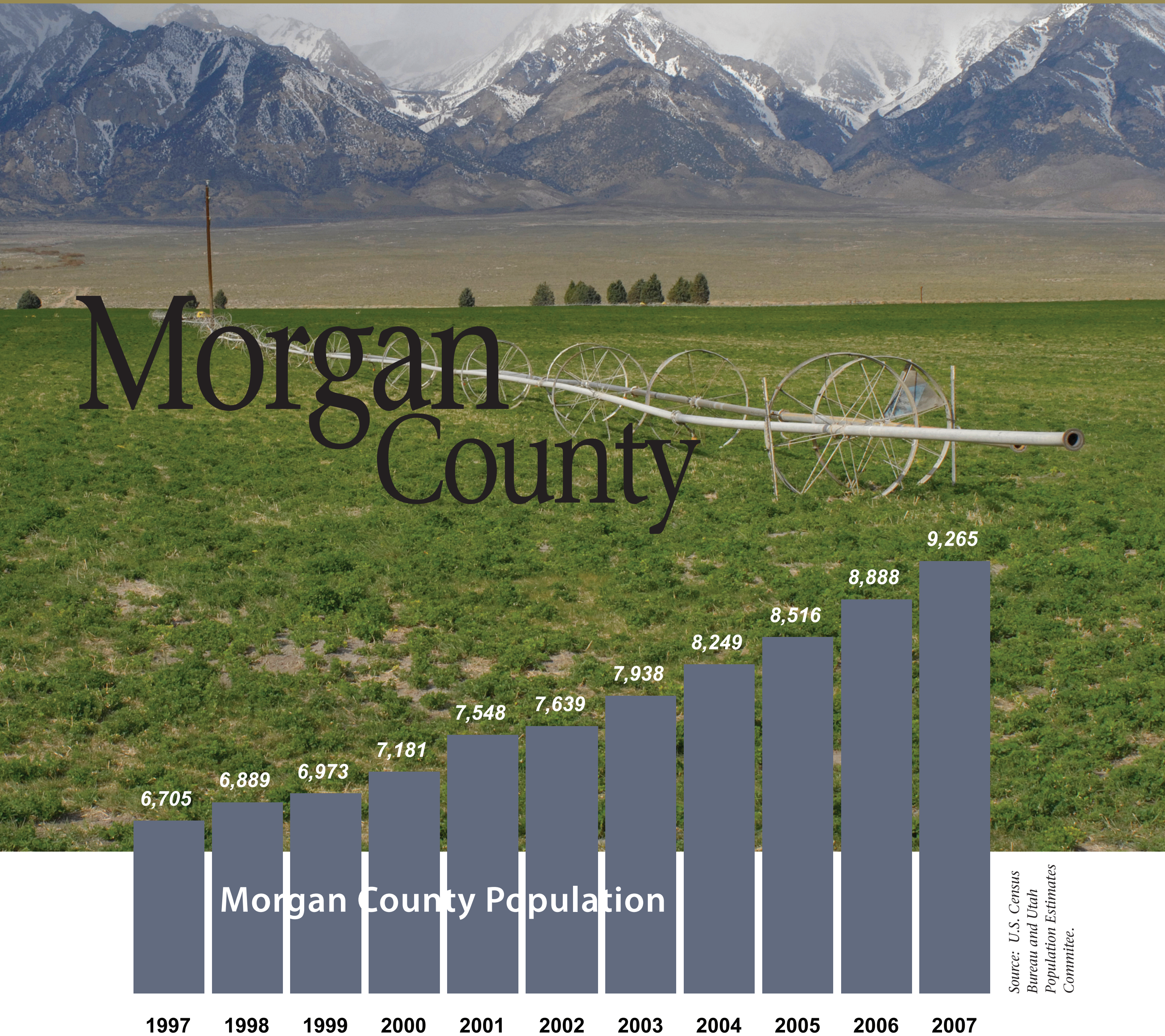
Discipline is what will carry Utah forward into the next few years and it is what The Pew Center on the States cited when it named Utah "The Best Managed State in the Nation."

By continuing to manage carefully, Utah has the potential to continue to maintain its progressive economy well into the future.

"We're optimistic that the state's broad-based economy and our plan to support it will carry us through the slow times."

—Jason Perry, Governor's Office of Economic Development (GOED)

Morgan County



Morgan County, nestled in a Wasatch back valley southeast of Ogden, is in growth mode. It is a very popular place that is attractive because of its close proximity to the urban amenities but still has a rural flavor. This is all changing as the county experienced a 38-percent growth in population between 1997 and 2007. Morgan's economic base is a combination of agriculture, construction, and the industries that support population, like trade and transportation.

Still, 57 percent of its workers are employed outside of the county boundary. The largest portion of these workers, 29 percent, works in Weber County. Another 19 percent commute to Davis County and nine percent travel to Salt Lake County for employment.

In June 2008, some 1,960 workers in the county were on nonfarm payrolls. This was a 3.7 percent decline in jobs from June of 2007, reflecting the general slowing of the economy both locally and nationally. Still, the county continues to attract people seeking its lifestyle. In fact, the county has commenced a planning activity with Envision Utah to help plan for future growth.

For more information about Morgan County go to:

- http://jobs.utah.gov/jsp/wi/utalmis/countyprofile.do and select Morgan County.

Employers:

Why Worry About Work/Life?

Should your company worry about work/life initiatives? Yes! Work/life programs are not just feel good initiatives. Businesses lose money everyday that they do not effectively address the work/life needs of their employees. And in today's economy, work/life issues are more important than ever before. A successful work/life program positively impacts the bottom-line of companies of all sizes, through improvements in morale, productivity and commitment.

Return on Investment—Companies with reputations as excellent workplaces often have excellent bottom-line results. Consumers like companies that are good citizens, good to their employees and good to their communities. The companies featured as Great Places to Work™ on Fortune magazine's 100 Best list consistently outperform the S&P 500. The CEOs of the companies that win the Utah Work/Life Awards, Utah's Best Places to Work™ agree that effectively implemented work/life strategies that align the needs of the employees and the business are vital to sustaining a competitive edge in the market.

Raise morale—Based on a study of 25,000 employees, the Wilson Learning Corporation reported that the single most important thing a company can do to improve its performance and bring up its bottom-line is to improve employee satisfaction and morale.

Productivity—When employees are not worried about other parts of their lives, are healthy and able to focus on the tasks at hand, companies reap the benefits. In a recent survey of employers,

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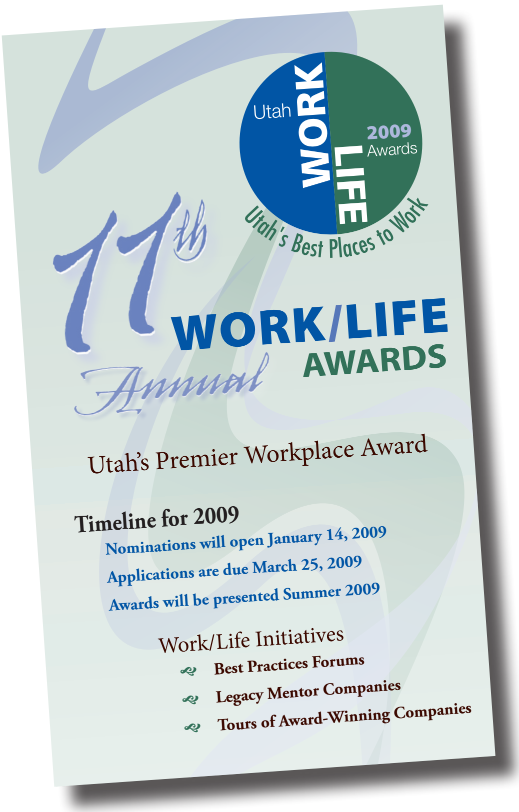
What is Work/Life?

Work/life is the practice of providing initiatives designed to create a more flexible, and supportive work environment, enabling employees to focus on work tasks while at work. It includes making the culture more supportive, adding programs to meet life event needs, ensuring that policies give employees as much control as possible over their lives, and using flexible work practices as a strategy to meet the dual agenda—the needs of both business and employees.

See our ad on the back cover of this issue!



2009 Work/Life Awards Important Dates

Key Dates	Action Item
January 14, 2009	Nominations accepted
February 11, 2009	Nomination period closes
Through February 11, 2009	Once nominated, online application instructions sent via e-mail
March 25, 2009	Company Profile Due (can submit earlier)
March 25, 2009	Employee Questionnaires Due (can submit earlier)
March 25, 2009	CEO Letter Due (can submit earlier)
April/May 2009	Selection of finalists and winners
May 2009	Winners announced
Summer 2009	Work/Life Celebration to honor winners and finalists

every company with a successful work/life initiative that conducted an evaluation of their work/life efforts reported reduced absenteeism and increased productivity.

Enhanced commitment—Increased productivity does not tell the whole story. Employees who take pride in their work, try to be honest and efficient, spend time thinking about how they can do a better job, use time wisely, and who want to contribute to the success of their company and the communities they serve, are more loyal and are a rare asset for companies. In an era of diminished job security and decreased pay raises, how can an employer elicit commitment from employees? Successful work/life initiatives are one excellent answer. In a recent survey, employees exhibited a 20% increase in commitment and said they would go the extra mile for the organization where work/life activities are available.

Many companies across the state of Utah have realized the value of work/life initiatives and are being recognized for their efforts. In 2009, the Utah Work/Life Awards, Utah's Best Places to Work™ will celebrate its 11th year. The award honors those workplaces that listen to employees, that support a majority of the workforce, that strive to have a culture of equity and opportunity for all employees, and that create a sustainable workplace culture providing meaningful support to employees, their families, and their communities.

If you are interested in nominating your company for the Utah Work/Life Awards, Utah's Best Places to Work™ go to jobs.utah.gov and click on Work/Life Awards.

just the facts...

October 2008 Unemployment Rates

		Changes From Last Year	
Utah Unemployment Rate	3.5 %	Up	0.7 points
U.S. Unemployment Rate	6.5 %	Up	1.7 points
Utah Nonfarm Jobs (000s)	1,265.4	Up	0.1 %
U.S. Nonfarm Jobs (000s)	137,476.0	Down	0.4 %

October 2008 Consumer Price Index Rates

U.S. Consumer Price Index	216.6	Up	3.7%
U.S. Producer Price Index	177.3	Up	5.2%

Source: Utah Department of Workforce Services

October 2008 Seasonally Adjusted Unemployment Rates

Beaver	3.1 %
Box Elder	4.1 %
Cache	2.5 %
Carbon	4.2 %
Daggett	2.8 %
Davis	3.3 %
Duchesne	2.6 %
Emery	3.6 %
Garfield	5.4 %
Grand	5.3 %
Iron	4.0 %
Juab	5.4 %
Kane	3.9 %
Millard	2.6 %
Morgan	3.1 %
Piute	2.4 %
Rich	2.3 %
Salt Lake	3.4 %
San Juan	5.5 %
Sanpete	3.5 %
Sevier	3.8 %
Summit	3.6 %
Tooele	3.7 %
Uintah	2.2 %
Utah	3.2 %
Wasatch	3.3 %
Washington	5.0 %
Wayne	4.4 %
Weber	4.1%

Watch for these features in our

Next Issue:

Theme:
Job Vacancy Survey

County Highlight:
Millard

Occupation:
Computer Programmer

Utah WORK LIFE 2009 Awards

Utah's Best Places to Work

11th Annual WORK/LIFE AWARDS

Utah's Premier Workplace Award

Timeline for 2009

Nominations will open January 14, 2009

Applications are due March 25, 2009

Awards will be presented Summer 2009

Work/Life Initiatives

- **Best Practices Forums**
- **Legacy Mentor Companies**
- **Tours of Award-Winning Companies**

For more information,
go to **jobs.utah.gov** and click on *Work/Life Awards*,
or email worklife@utah.gov or call 801-526-4321

The Utah Work/Life Awards are presented by the
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140 E. 300 S.
Salt Lake City, UT 84111